

town of union

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August 21, 2019

The Agency
Attn: Ms. Stacey Duncan – Executive Director
FIVE South College Drive
Binghamton, NY 13905

Dear Ms. Duncan & Board of Directors;

I would to thank you and your board members for affording me the opportunity to submit comments and detail on why the deviated Payment-In-Lieu-of-Taxes (PILOT) agreement with ISLRNC, LLC and ISLACF, LLC along with 600 High Avenue Realty, LLC is inadequate and unfair and grossly offensive to all taxpayers in the Town of Union as it relates to the purchase of Ideal Senior Living Center from the current owner/operator, UHS. My goal in providing a host of facts that support the inequity of the proposed deviated PILOT is either this proposal is rejected or negotiations on more equitable terms be negotiated by restarting the process.

1. ASSET PURCHASE

According to the application of the purchasing group the sale of Ideal Senior Living Center which is a 150 bed Residential Health Care Facility and includes Ideal Senior Living Center Housing Corporation which is comprised of a 70 bed Independent Adult Home and 35 bed Assisted Living Program is a straight asset purchase. This is simply a purchase of an existing campus and business operation. This project does not construct anything new and this project does not renovate anything existing and this project does not add any programs for the community and this project does not have any meaningful job expansion that would warrant this type of property tax abatement.

2. ASSESSMENT CHALLENGE

The buyers state in their application that the property tax levels for this facility would have to be no higher than \$225,000 - \$250,000 in order for the facility to continue to be viable. The buyers do not state they need a period of time before the \$225,000 to \$250,000 property tax level is viable and the deviated PILOT schedule being proposed only reaches one-half of their low-end opinion of where property tax levels need to be in order for the facility to financially stable and that is after 20 years. Why does the first six years of the deviated PILOT schedule only contain \$65,000 in property taxes when the applicants themselves admit to being able to provide almost four times that amount. The buyers have an existing remedy where they can grieve the assessment once they sale has been completed. Over the terms of the proposed deviated PILOT the tax abatement is 88.77%. To pay \$65,000 in property taxes in the equivalent of the real estate being assessed at \$1,000,000 and the application states that

\$9,550,000 of the \$13,162,978 purchase price is related to the acquisition of existing structures/real property.

3. OTHER FACILITIES

The buyers already own/operate several other similar facilities in Broome County and surrounding areas. The property tax arrangements for each facility fall in great comparison to the proposed deviated PILOT before you. Bridgewater Nursing Home in the City of Binghamton paid combined property tax amounts of \$604,475 in 2018 and there is no PILOT. Absolut Care in the Village of Endicott which was recently purchased by the same group in the first quarter of 2018 pays roughly \$305,000 in annual property taxes and there is no PILOT (the assessment was challenged upon completion of purchase). Absolut Care has 160-bed vs. Ideal which has 150-beds and 105 senior apartments. The fairly new Vestal Park and Rehab Center located in the Town of Vestal has a PILOT where the first five years has a 50% abatement and the next five years has a 25% abatement and that was a project that consisted of new construction. Over the course of 10 years the abatement amount is 37.5% vs. this deviated PILOT at 88.7%. The Beechtree Center for Rehab and Nursing in Tompkins County was purchased by the same group in 2014. The Standard PILOT in Tompkins County consisted of a seven year property tax abatement starting at 90% and ending in year seven at 13%. The negotiated deviated PILOT was extended three years to a 10 year abatement with higher percentages up front. If this deviated PILOT was mirrored for Ideal Senior Living Center the tax abatement over 10 years would be 53.8%. It should be noted that the owners invested \$1,300,000 to carry out critical and non-critical repairs and a project to upgrade and extend the short-term unit and rehabilitation services. None of those investments are part of the Ideal Senior Living Center deal.

4. CONCENTRATION OF BEDS

Once the sale is finalized the new owners will control roughly 60% of the Skilled Nursing Beds in Broome County. This allows for greater purchasing power with their other facilities, this allows for greater flexibility in employee staffing/management, this allows them to vertically integrate other parts of their operations which results from this purchase. This also allows them to manage their payer mix amongst their facilities and with the addition of independent and assisted living housing this provided them an internal feeder system for all of their skilled nursing beds.

5. WHAT IS VIABLE

While the applicants/buyers state that only \$225,000 to \$250,000 in property taxes is viable for this facility to remain operational, why can the facility pay over \$48,000 per month in lease payments to an LLC which are the same owners. Will a new LLC be created for food service in which the buyers are again paying themselves for services. Will a new LLC be created for linen services in which the buyers are again paying themselves for services. To control 60% of the skill nursing bed market in Broome County will create greater operational margins at this facility and other facilities owned by the same group.

I am not here today to stop or hinder the sale of the Ideal Senior Living Center. My sole purpose today is to highlight why a PILOT is warranted at all with a straight purchase and no new construction or renovations or job creation or improvement to a distressed area. If a PILOT is warranted how can an abatement of over 88% be reasonable given all the facts. Thank you for considering all the information as you determine the best and most fair path to take in this matter.

Thomas R. Augustini

A handwritten signature in blue ink, appearing to read "Thomas R. Augustini", written over the printed name.

Town of Union Board Member